



# Evidence & Insights

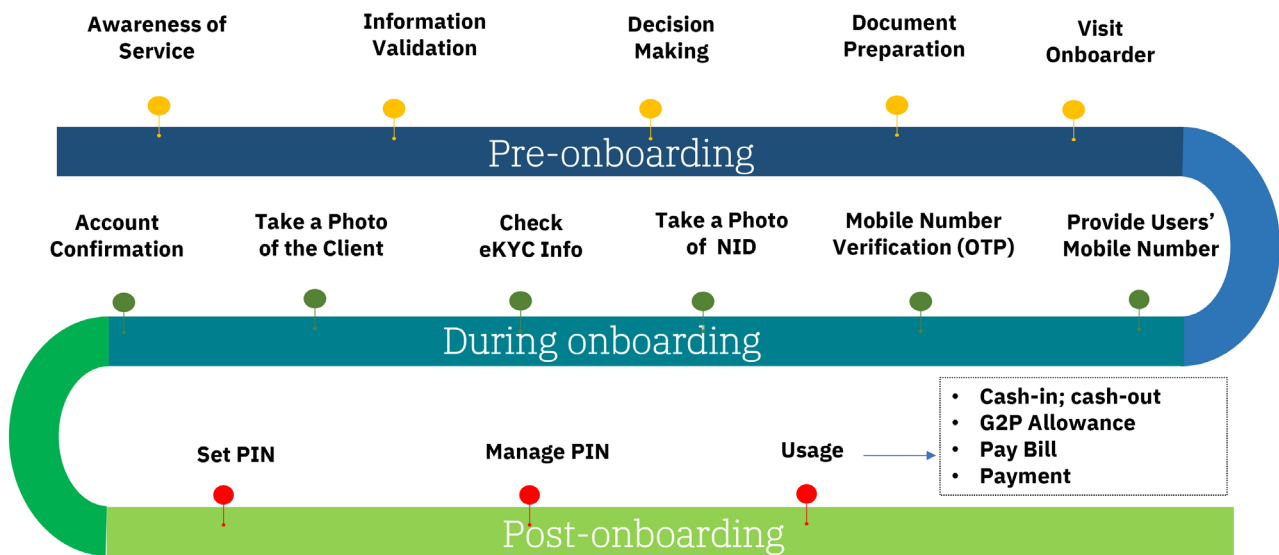
## Addressing Digital Onboarding Challenges Enhancing Financial Inclusion

Since its inception as a digital innovation in the financial sector, mobile financial services (MFS) have been instrumental in reshaping the country's financial landscape, fostering opportunities and integrating the unbanked population into the formal sector. Yet people, particularly those from marginalized communities, struggle to access these services for various reasons. To pinpoint the primary hurdles in the onboarding pathway for digital financial services (DFS), the BRAC Institute of Governance and Development

(BIGD) is conducting research in Bangladesh titled "DiFi for All," funded by the Bill & Melinda Gates Foundation. The primary objective of the investigation is to generate actionable, localized, and provider-specific insights that would guide to make financial inclusion easier and foster the adoption of DFS. Our research details the onboarding pathway into DFS, focusing on marginalized communities, especially women and people with low digital literacy.

The onboarding pathway into DFS involves several steps, procedures, and documents. To understand people's onboarding experience comprehensively, the study categorized the onboarding pathway into three phases: pre-onboarding, during onboarding, and post-onboarding (Picture 1). Upon closely examining an individual's onboarding experience, numerous key challenges have been recognized.

### Onboarding Pathways



Note: Aggregated version across providers

[The pre-onboarding journey includes awareness of the service, information validation, decision-making, document preparation, and user visiting. During onboarding involves tasks such as providing the user's mobile number, inserting OTP, taking a photo of the NID, checking eKYC info, taking the client's photo, and account confirmation. The final phase of the journey, post-onboarding, encompasses PIN setting, PIN management, and wallet usage.]<sup>1</sup>

<sup>1</sup> This qualitative research endeavour encompasses three distinct settings: urban, peri-urban, and rural areas. It employs a set of ethnographic tools for gathering data, including in-depth interviews (170), key informant interviews (41), observing live onboarding (69), and transect walks. Respondents were recruited from diverse professions within each community, including housewives, farmers, businessmen, day labourers, rickshaw pullers, students, jobholders, and so forth, to ensure maximum variation.

# Key Challenges in Onboarding Pathway

## PRE-ONBOARDING

1

Lack of a designated source causes limited access to information



2

Dilemma while making decisions over multiple issues, such as choosing the SIM or handset to open a wallet



3

Ensuring the physical and original copy of NID makes document preparation critical



4

Moving to the agent outlet poses security and privacy concerns for women



## DURING ONBOARDING

1

Confusion with multiple data types such as numeric and texts requires assistance from the agent



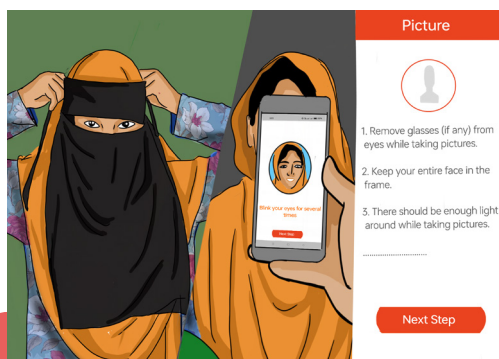
2

Multiple steps like providing a mobile number, inserting an OTP, verifying NID, and providing a signature create fear among users



3

Requirements (blinking eyes, smile) for live photos in public places create discomfort for women



4

Updating information in case of inaccurate data fetching





## POST-ONBOARDING

1

Maintaining the confidentiality of PIN



2

Excessive cautiousness about the PIN discourages users from managing on their own



3

Dependency on agents makes users passive

## Key Insights into the Onboarding Pathway

### 1. While DFS is designed for individual ownership, its usage is often collective in nature

People need their NID and a unique phone number to open their DFS account with an MFS provider. In addition, a DFS account can only be accessed by one individual with a unique PIN, which is not meant to be shared with anyone else. All these rules are in place to make sure that digital transactions are secure and individually managed by authorized persons only.

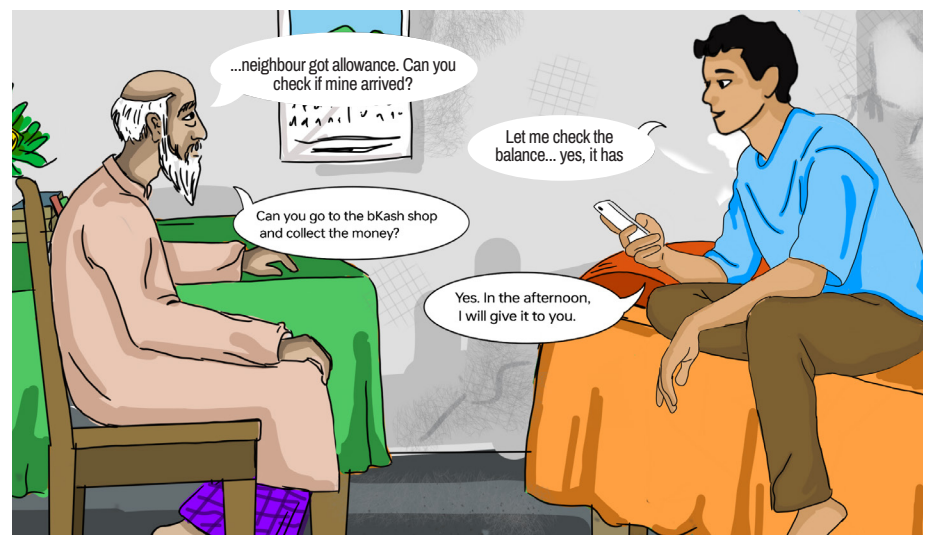
However, in reality, people frequently register their DFS wallet using the NID, SIM, and phones of others for practical reasons, including the absence and loss of NID, reluctance or inability to maintain a separate phone, lack of digital literacy, and not owning a mobile phone. Sociocultural norms—such as values that discourage women from independently owning and operating a phone and managing financial transactions—also play a part.

Using a single account for multiple purposes by different family members is common in Bangladesh. Even the PIN, the most confidential element of DFS, is shared beyond the account holder, especially within their trusted circle.

While the account-sharing practice is beneficial to the account holder in some cases, it is generally detrimental to the provider. If people are aware that others

know their account details, they are less likely to deposit or save money in the account. In fear of losing money, they withdraw it as soon as cash arrives in the account. This prevents users from using other services in the account, ultimately hindering the MFS provider's business expansion. Moreover, it increases the likelihood of fraud in DFS. For example, low-tech-savvy people who share their account details with family members or others for convenience often experience financial loss.

Considering this widespread practice of collective management of DFS accounts, it is worth investigating the effective utilization of society's collective norms. As an illustration, we could think about supplementary account like user-to-user and user-to-agents which could increase the accountability in using an account. In addition, to enhance security and convenience, the introduction of facial recognition technology alongside the traditional PIN could be considered.



## 2. Gender disparity within DFS underscores the need for a women-friendly product

The steps for account opening and using DFS are the same for men and women. However, due to the sociocultural context, Bangladeshi women and men face very different realities when it comes to access to phones, the internet, digital skills, and information, creating a barrier for women to access DFS. To seek DFS, women frequently rely on support from male relatives they can trust. However, due to cultural norms, getting male assistance, especially from outside the family, is not easy or convenient for them. Our study finds that DFS does not hold the same appeal for women as it does for men, which indicates their low participation in DFS. Moreover, they share their PIN with men for cash-outs from the agent's outlet. Despite accounting for half of

our total population, women are more likely to be passive and potential users rather than active users due to the complicated, lengthy, and heavily agent-dependent steps in the onboarding pathway. Thus, the design of DFS is culturally incompatible with women, creating hurdles at every step of the onboarding pathway.



MFS providers must try to address the issues women face in accessing DFS to enhance their market and promote women's economic empowerment. Community-based or door-to-door services, for example, could be more effective in boosting the participation of women in DFS. It will reduce the pressure of visiting public spaces to access services and enhance the likelihood of using services with increased privacy. Furthermore, eliminating or simplifying some registration requirements, such as taking live photos and "smiling" while taking these photos, could result in better outcomes.

## 3. Limited awareness among users causes hurdles in accessing digital financial services

Getting clear information about services regarding DFS is a crucial element of the onboarding pathway. Despite providers' efforts to raise awareness about their services among potential users through various means, an information gap exists. Findings indicate that existing communication methods, such as texts, audio calls, television commercials, posters, banners, etc., are less effective for many demographic groups, including women and individuals with limited digital literacy. In many cases, people rely on informal sources such as neighbours, relatives, family members, and social media, which sometimes produce misinformation. Moreover, existing communication mostly focuses on special offers, bonuses, and new services, which may not be effective for marginal groups. Factors such as lower tendency to read SMS, inability to comprehend English SMS and other point-of-sales materials (posters, banners), and lack of community-focused information contribute to the information gap and lack of trust. Thus, lack of information and false information cause misperception of the services in the community, eventually affecting the usage of DFS.



Developing a communication strategy with specific emphasis on addressing concerns such as fraudulent activity, the range of services offered by MFS wallets, tutorials on usage of the services in USSD, and effective PIN management can raise awareness among individuals regarding the service. Group or community-based communication strategies using video content can be effective in raising public awareness among marginalized communities.

## Conclusion

The nuanced description of people's onboarding pathway reveals several challenges in DFS, spanning from awareness of the services to usage. Since sociocultural factors play a critical role in shaping the adoption and usage of DFS across users, it would be wiser to consider such factors in product design and promotion for inclusive financial inclusion.

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